

# Shall We Have a Co-operative Store?

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An outline of procedure to be followed in the formation of a Consumers' Co-operative Association, together with some information and suggestions which may be of value to groups interested in this subject.

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Issued by the  
**ALBERTA CO-OPERATIVE WHOLESALE  
ASSOCIATION, LIMITED**  
in collaboration with  
**THE CO-OPERATIVE COMMITTEE OF  
THE U. F. A.**



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Enquiries are frequently being received for information relative to the formation and operation of Co-operative Stores, and this booklet has been prepared by practical co-operators actively engaged in this activity, with the view of providing reliable information based on known facts or upon experience obtained from actual practice.

### Historical

The "Consumers' Movement" that is the purchase and distribution of commodities on a co-operative plan, originated in the small town of Fenwick, Scotland, in 1790. Shortly after this the now famous Rochdale Pioneers opened their first place of business in Rochdale, England. These pioneers formulated certain principles which for eighty years have been recognized by the Consumers' Co-operative movement as fundamental. They should be understood by all co-operators and may be stated in a few sentences as follows:

- "1. There shall be democracy of control; each member shall have one vote and no more.
- "2. Capital invested in the society, if it receive interest, shall receive not more than a fixed percentage which shall be not more than the minimum prevalent rate.
- "3. If a surplus-saving ('profit') accrues, by virtue of the difference between the net cost and the net selling price of commodities and service, after meeting expenses, paying interest, and setting aside reserve and other funds, the net surplus-saving shall be used for the good of the members, for beneficent social purposes, or shall be returned to the patrons as saving-returns ('dividends') in proportion to their patronage."

The work has grown to a great international movement with activities in practically every civilized country. The English and Scottish Wholesale Co-operatives alone having a turnover of approximately four hundred and sixty-one millions of dollars per annum. (Figures are for 1925).

In Alberta the movement commenced with groups of farmers buying such staple requirements as coal, flour,

twine, etc., in car lots. From this the local Co-operative Store unit has developed, and from this unit the Co-operative Wholesale was the next logical step as a means of linking up the units and consolidating their buying power.

In Manitoba and Saskatchewan much the same development has taken place as in Alberta, and the possibilities of co-ordinating the wholesale activities of the three provinces, possibly in conjunction with one or more of the large British associations, are now being investigated.

### **Looking Over the Ground**

In considering the possibilities of operating a co-operative store in any given district, it is impossible to draw up a set of rules or method of procedure which will apply equally well in any community. There are local conditions in each district which must be dealt with on their merits and which may call for differences in the methods adopted in different territories.

There are, however, a few fundamental requirements which must be present in every district, and without any one of these success cannot be hoped for. It is better to delay the start than to commence before all the factors of success are present, and fail.

These requirements may be set up under four heads, and for convenience are numbered as follows:

#### **1. There Must be a Real Demand for the Activity.**

It is not sufficient for a group of perhaps a dozen enthusiastic people to launch a store and by their aggressiveness entice others to take shares without obtaining their real interest in the movement. There should be a general demand for the store on the part of the people in the district, and a spirit of enthusiasm for co-operation that will insure support both practical and moral through thick and thin.

#### **2. A Membership Co-operatively Intelligent.**

By this we mean that the members should understand something of their responsibilities to the group with whom they are, by their act of becoming members, undertaking to co-operate. We all know that one of the great rea-

sons for members joining is the hope of making an immediate cash saving. They are looking for the odd nickles. We also know that they are entitled to this saving and that if their store is properly managed and their support freely given, the saving will automatically be effected. There is no "profit" in a co-operative Store. It is called "surplus" which becomes the property of the patrons and is distributed on a pro rata basis according to the purchases made by the patrons. But—and here arises the necessity for co-operative intelligence and the test of members loyalty—suppose a competitive store reduces its margin of profit so low that the Co-operative cannot meet the price, will the Co-operative member be willing to stay by his store? He must realize the motive behind the temporary reduction in price and must refuse to be tempted to be disloyal to his own organization. They must expect this situation to arise and keep the one certain fact in mind, that no competitive business will continue to operate unless it is making a profit, beyond the time necessary to destroy the Co-operative. There is only one thing that can prevent the Co-operative saving this "profit" to its patrons, and that is inefficient management. If this develops, an intelligent member will see that the trustees remedy the conditions, whereas a less intelligent member may say "Oh, that outfit is not being run right" and lose his interest in the movement.

### **3. Efficient Management.**

The management of a business enterprise is in the last analysis in the hands of those who own it. In a Co-operative the members elect their Trustees, who in turn appoint a Manager. The responsibility, therefore, of obtaining competent management commences with the members when they elect their Trustees. The object is not to elect their friends, but rather to elect the most competent people. Elect the very best material in the district; that is the first step towards competent management.

The actual business manager is obviously in a very important position, and the business success or failure must depend in no small measure upon his efforts. Absolute loyalty—at least a fair measure of business acumen—and an intelligent appreciation of the soundness of the principles involved in the movement, must be assured, and unless and until such services are available, there is not much hope of success being attained.

#### **4. Capital in Proportion to the Business to be Transacted.**

We often hear it stated that a large percentage of past failures can be attributed to lack of capital, but investigation seems to show that just as many can be attributed to too much capital. The important thing is to adjust capital to the requirements of the business.

Under our conditions it is usually wise to commence business on a small scale and expand as the demand arises. This gives the organization a chance to "feel its feet." If mistakes are made they can be more easily rectified and at less cost than if the business is large.

If it is decided to start in a small way with a stock of say \$1,500, a capital of say \$2,000 should be ample. If a large capital is available, there is a constant tendency for the management to carry large stocks, and one of the great secrets of success lies in quick turnover. "Let the wholesalers carry the stock" is a motto always worth bearing in mind. A gross margin of 20 per cent on a stock turning over eighteen times per year will save more money than a gross margin of 30 per cent on stocks turning over ten times per year. Nevertheless a Co-operative should strive to own its own buildings as soon as possible. The business is often handicapped in rented premises, as it is unable to make additions to the building when required; and while it is generally sound to begin in a small way, never be satisfied to remain small. The purpose of a Co-operative association should be to supply all the needs of its members.

It is of course fatal to try and carry a \$1,500 stock with a capital of \$500 or \$600, as this will generally mean being pinched for money and will leave a business at the mercy of its creditors.

#### **Organizing the Association**

We assume that a group interested has satisfied themselves that conditions warrant calling a meeting and that a representative meeting has gone on record as being in favour of starting a store and has named seven people to act as Provincial Trustees.

The next procedure is to legally incorporate the association. There are now three provincial statutes or acts which relate to co-operative organizations and which



lay down general laws and regulations governing the operation of associations incorporated under them. "The Co-operative Associations Act of 1913" is the one under which trading associations are incorporated. The "Co-operating Marketing Act of 1924" was enacted to provide suitable regulations for Producers Marketing Association and the "Co-operative Supervision Act of 1928" was enacted to provide a source of information and advice to those operating or proposing to operate under either of the first two.

The first procedure is to draw up a Memorandum and Articles (or By-laws) of Association. The form of Memorandum is provided in the Act and must state the aims and objects and kind of business to be undertaken.

The Articles or By-laws are really the rules setting out how the association will function. A standard set of Memorandum and Articles have been drawn up containing provisions which are generally suitable to our conditions. A copy of these is inserted at the back of this booklet. Any changes which may be necessary to meet the requirements of local conditions can be made by the meeting.

Having agreed upon the form of Memorandum and Articles, these must be signed by at least ten people, each of whose signatures must be witnessed and the witness or witnesses must subscribe to the affidavit before a Commissioner for Oaths.

The Memorandum and Articles should be typed in triplicate. One copy should be kept for reference and two copies properly signed and witnessed sent in to the Supervisor of Co-operation, Edmonton, with a cheque value \$22.50, made payable to the Registrar of Companies, enclosed with them. When approved by the Supervisor, they are forwarded to the Registrar, who will complete the registration and forward a certificate to that effect.

The association is now a corporate body and can legally do business in its own name. It can sue and be sued in just the same way as an individual but the liability of its members is limited to their subscribed shares; that is, if a member has subscribed for two shares of \$25.00 each and has paid \$5.00 each in cash, he is liable for the other \$40.00, making \$50.00 in all but no more.

### **Duties of the Provisional Trustees**

Immediately incorporation has been completed, the Provisional Trustees should elect a Chairman, Vice-Chairman, Secretary and Treasurer, or Secretary-Treasurer. A seal which must give the full name of the association and should give its town or principal place of business, should be obtained and complete minutes of all meetings recorded in a minute book.

The Provisional Trustees will proceed to issue shares and bring the membership up to a point where it is considered that sufficient capital and members have been obtained to warrant commencing business. We assume that a Manager is now engaged and a place of business obtained. The store is an accomplished fact.

Within two months of the date of incorporation, the Provisional Trustees must call a general meeting and report all that has been done. This meeting will then elect the permanent Board of Trustees and will be the first annual meeting.

### **Memorandum of Association**

Having outlined the method of procedure, we may perhaps discuss the Memorandum and Articles in rather more detail. The Memorandum is the document by which the subscribers signify their desire to incorporate and the objects in view. It will be noticed that Clause 3 sets out twenty objects. It does not necessarily mean that all these things must be done, but by putting in wide and varied objects it gives the association power to do any of these things without having to change the set-up. It is much better to have objects never used than to run the risk of doing something for which there is no authority in the Memorandum, as this might lead to serious and costly trouble. Clauses 4 and 5 are dealt with in the By-laws.

### **Articles of Association (or By-laws)**

These are the rules which will govern the conduct of the business. The Trustees have no power to exceed their provisions, but the Articles may be changed by the shareholders as provided in Clause 8, which we will refer to later.

Clause 1 is merely a repetition of the Memorandum.

Clause 2. The value of the share unit is placed at \$25.00 as being an amount within the means of all. It is a common practice for shares to be issued payable by instalments of say \$5.00 cash and \$5.00 per annum until paid. It is obviously more advantageous to have one hundred shareholders at \$25.00 each, than to have twenty-five shareholders at \$100.00 each.

Clause 3. All applications for shares must be made to the Board who accept or reject as they see fit. Applications should be accepted by resolution and properly recorded in the minute book.

Clause 4. Is self-explanatory and sets out in detail the method and procedure in connection with meetings of the shareholders.

Clause 5. Section (a) provides that four Trustees shall retire one year and three the following year, thus providing for a two-year term of office. When a new trustee takes office it requires some time before he gains experience and arrives at his maximum efficiency. If a one-year term is provided he may vacate just as he is becoming most valuable to the association.

Section (g) is inserted to overcome the handicap of a trustee who does not realize his responsibilities. The sooner such a one disappears, the better for all.

Clause 6. Section (a) makes provision for a general reserve which all business enterprises should set up. It is not necessary for this to be held in cash, although at least a part should be always available to meet an emergency. The general reserve is usually utilized as working capital.

Interest on capital (Section b) may be paid at any rate decided upon not exceeding 8 per cent. The maximum is of course to guard against "dividend hunting," and is one of the provisions of the Act, consequently the By-laws could not be changed to any higher figure.

Clause (c) provides for patronage dividend and also for the automatic inclusion of non-members through their patronage dividends.

Clause 7. Sets out the method of changing the By-

laws. Before any change is legal, it must be accepted by the Supervisor and filed by the Registrar. Changes must be verified by affidavit.

Clause 8. Explains itself.

Clause 9. One of the frequent causes of failure in the past has been the absence of any proper accounting system and audit. A set of books, which show accurately the condition of the business must be set up. The system need not be elaborate but must be complete, otherwise the Trustees cannot obtain proper information as to the financial condition of the association. The Auditor must be approved by the Minister and his name should be submitted to the Supervisor's office immediately after the annual meeting.

Clauses 10, 11, 12 and 13 are self-explanatory and are set out almost exactly as they appear in the Act.

Clauses 14 and 15 are also quite clear in the meaning. Every trustee should be furnished with a copy of the By-laws immediately he is elected.

Clauses 16 and 17. The duties of Secretary and Treasurer are usually combined in one individual. The method of keeping the records and setting up the books is being dealt with as a separate subject and suggestions as to how this may be done together with forms, etc., will be forwarded upon request.

Clauses 18, 19 and 20 explain themselves.

### **Business Policy**

Having run over the Memorandum and Articles we now know what is to be attempted, and have seen that the By-laws leave the conduct of the business in a very general and broad way in the hands of the Trustees.

### **Use of Capital**

Do not tie up too large a part of your capital in buildings and fixtures. If you start in a small way most of your initial capital will be needed to carry on the business. If you build, see that your working capital is not used for that purpose. Grow with your business. A clean neat store with plenty of light and a tidy stock are more important than size and a lot of elaborate fixtures.

### **Stock**

The fastest turning stocks are staple groceries. Flour can usually be handled on consignment, and these are generally the most advisable stocks to commence with. Other lines can always be added as the demand arises and capital is available. Keep your stock well assorted and **KEEP IT MOVING**. If you buy something which does not move as fast as it should, bring it out and display it; mark it down to a point where it will move. Dead stock costs money to carry and slows up your business.

### **Credit**

It has been demonstrated that a successful business can be built up without giving credit. This has been done in areas where crop failures have seriously depleted the farmers finances. Why does the average small Alberta town send out from \$20,000 to \$40,000 per annum to the mail order houses? Simply because the people believe they are getting better value by paying cash. They can likewise obtain better value from their own store by paying cash. By all means conduct a cash business. It has been demonstrated that where farmers have been encouraged to pay cash and where the saving involved has been proved to them, they can, by depositing an occasional hog or grain cheque with their store, get along without credit. Some stores allow interest on money so deposited and find the system works to the advantage of all concerned.

### **Wholesale**

The Wholesale Co-operative is just developing but is even now in a position to give valuable service to individual units. Those interested in making contact with their own wholesale organization should communicate with the Manager at the address given below. If the Co-operative Store Policy is to be logical, it must support its wholesale just as it expects its members to support the store.

### **Educational**

It is necessary if Co-operative associations are to develop along right lines, that they keep in close touch with the movement in its broader aspects. It should be realized that theirs is not merely a trading concern, but an association of people interested in the economic, social

and moral welfare of all members; that they accept the principle of service and co-operation in all the activities of life; of making money to live instead of living to make money; of leaving a mark on the scale of social progress and happiness in their community.

For further information write either of the following:

A. P. MOAN, Manager,  
Co-operative Wholesale Assoc., Ltd.,  
Edmonton, Alberta.

SUPERVISOR OF CO-OPERATIVE ACTIVITIES,  
Parliament Buildings,  
Edmonton.

## Appendix I.

### MEMORANDUM OF ASSOCIATION

1. We, (Here insert full name and address of ten persons who will sign the Memorandum and By-laws), do hereby express our desire to form an association under the provisions of the Co-operative Association Act being Chapter 160 of the Revised Statutes of Alberta.

2. The corporate name of the association is to be.....  
.....Co-operative Association, Limited.

3. The objects for which the association is being formed are:

(a) To deal by retail only in dry-goods, groceries, hardware, twine, lumber, building material, coal, machinery, and merchandise of every kind and description and any and all commodities used by consumers.

(b) To act as agents for any person, firms, or corporations engaged in the business of fire, life, or hail insurance, or the business of loans and investments.

(c) To engage in the business of general merchant.

(d) To hold, buy, sell or otherwise deal in real estate or other property.

(e) To carry on any other co-operative business or businesses which seem to the association convenient to be carried on in connection with the above, or calculated directly or indirectly to render profitable or to enhance the value of the association's property or rights for the time being.

(f) To amalgamate or enter into partnership or any arrangement for sharing profits, union of interest, co-operation, joint adventure, reciprocal concession, or otherwise with any person, company or associations carrying on or engaged in, or interested in, or about to carry on or engage in, any business or transaction which the association is authorized to carry on or engage in, or any business or transaction capable of being conducted, so as directly or indirectly to benefit the association, and to confer upon or delegate to any person or persons or companies or associations, hereunder or under the contract mentioned, in the paragraph hereof or otherwise.

(g) To unite with any other Co-operative association in employing and using the same personnel, methods,

means and agencies for carrying on and conducting their respective businesses, or to use the same personnel, means and agencies, of another Co-operative association by separate employment.

(h) To enter into any arrangement with any government or other authorities, local, municipal or otherwise, that may be conducive to the associations objects, or any of them, and to obtain from any such government or authority, any rights, privileges and concessions, which the association may think it desirable to obtain, and to carry out, exercise and comply with, any such arrangements, rights, privileges, and concessions.

(i) To take from the government of any country, province, or state, the power to carry on therein, any business which the association is authorized to carry on.

(j) To borrow and raise money in such a manner as the association shall think fit, and in particular, but not so as to restrict the generality of the foregoing, by issue of debentures or debenture stock (perpetual or otherwise) and to secure the payment of any money borrowed or raised, or owing by mortgage, pledge or lien, or other charge upon the whole or any part of the association's property or assets (whether past or future) and also by similar mortgage, pledge, lien or other charge to secure and guarantee the performance by this association or any pledge or liability it may accept.

(k) To act at attorney in fact for its members or any of them, or for any purpose.

(l) To pay any expense incurred in the formation and incorporation of the association, or to enter into contract with any person, firm or company or association to pay the same.

(m) To sell or otherwise dispose of the whole or any part of the undertaking of this association, either together or in portion for such consideration as this association may think fit and in particular, for shares, debentures and securities of any company purchasing same.

(n) To invest and deal with moneys of the association not immediately required, in such a manner as may from time to time be determined.

(o) To take and otherwise acquire and hold, shares, debentures, debenture stock, or other securities or pledges in any company or association, carrying on any business capable of being conducted, so as directly or indirectly



to benefit the association, and to pay the same wholly or partly in cash, or any securities as this association is authorized to issue, and to vote all shares held through such agents or agent, as the Directors may appoint, and to dispose of same, or any part thereof on such terms or in such a manner as the association may think fit.

(p) To promote any other Co-operative company or association for the purpose of acquiring all or any property, and undertaking all or any of the liabilities of this association, or the undertaking of any business or operation which may appear likely to benefit or assist the association, and to place or guarantee the placing of, underwrite, subscribe for or otherwise acquire all or any part of the shares or securities of any such company or association as aforesaid.

(q) To acquire or undertake the whole or part of any business, goodwill and assets of any person, firm or company or association, carrying on any of the businesses which this association is authorized to carry on, as part of the consideration for such an acquisition to undertake all or any part of the liabilities or such persons, firms, company, or association and to give or accept by way of consideration, for any of the acts or thing aforesaid or property acquired, any debenture or debenture stock, or other securities which may be agreed upon.

(r) To distribute among its members of this association in kind, any property of the association, and in particular any shares, debentures, or securities or other companies or associations belonging to this association, or which this association may have the power of disposing.

(s) To draw, make, endorse, discount, and issue promissory notes, bills of exchange, warrants, debentures, and other negotiable or transferable instruments.

(t) To do all such other things as are incidental or conducive to the attainment of the above objects.

(u) It is hereby expressly declared that each clause hereof shall be construed independantly of the other clauses hereof, and that none of the objects in any clause shall be deemed to be merely subsidiary to the objects mentioned in any other clause.

4. The number of shares is to be unlimited; and the capital is to consist of shares of Twenty-five (\$25.00) Dollars each, or of such other amounts as from time to

time be determined by the rules or by-laws of the association.

5. The number of Trustees who shall manage the association's concerns, shall be seven (7) and the names of such trustees, until their successors are appointed under the rules or by-laws of the association to be formed are: (leave space for seven names) and the name of the place where the Head Office is situated is.....  
....., Alberta.

DATED this.....day of.....A.D.  
19....., at....., in the Province of Alberta.

Witnesses' signatures:

1  
2  
3     The ten whose names ap-  
4     pear (Clause 1) to sign here.  
5     Each signature must be wit-  
6     nessed. The witness signs  
7     opposite each. One person  
8     can witness all signatures if  
9     convenient.  
10

### AFFIDAVIT OF EXECUTION

Canada  
Province of Alberta  
To Wit:

I, ..... make oath and say:

1. That I was personally present and did see  
duly sign, seal and execute the Memorandum of Association  
of the.....Co-operative As-  
sociation, Limited.

2. That the said Memorandum of Association was  
executed at the.....in the  
Province of Alberta, and that I am the subscribing wit-  
ness thereto.

3. That I know the said  
and they are of the full age of twenty-one years.

SWORN before me at the.....  
.....in the Province of

Alberta, this..... day of.....  
A. D. 1928.

.....  
Witness sign here.

A Commissioner for Oaths in and  
for the Province of Alberta.

(This Affidavit must be sworn before a Commissioner for  
Oaths by the Witness, or Witnesses if more than one).

## **Appendix II.**

### **ARTICLES OF ASSOCIATION**

Of the.....Co-operative Association, Limited.

#### **Name and Location**

1.—(a) The name of the Association is the.....  
Co-operative Association, Limited.

(b) The Head Office of the Association is situated at  
.....in the Province  
of Alberta.

#### **Shares**

2.—(a) The capital of the Association is unlimited and  
shall consist of shares of the par value of \$25.00 each.

(b) The Board of Trustees may from time to time accept  
applications for shares payable by instalments or  
otherwise as they may from time to time determine.

(c) The liability of the shareholders shall be limited.

#### **Membership**

3.—(a) Application for shares shall be made to the  
Board of Trustees who may accept or reject such application  
in their absolute discretion as they see fit.

(b) Any person who applies for and obtains one or  
more shares in the Association shall be a member with  
all the rights attached thereto, providing that all the calls  
made on the said shares have been paid in full.

#### **Meetings**

4.—(a) The first General Meeting of the Association  
shall be held on such day being not more than two months  
after the incorporation of the Association, and at such  
hour and place as the Provisional Trustees may determine.

(b) The Annual Meeting of the Association shall be held annually not later than the Fourteenth day of February, at such hour and place as may be determined by the Trustees.

(c) A General Meeting of the Association shall be held at least once every six months, in the months of February and August, provided that meeting held in the month of February shall be the Annual Meeting.

(d) A Special General Meeting of the Association may be called at any time by the Trustees whenever they deem the same necessary or advisable, and it shall also be necessary for the Trustees to call a Special General Meeting whenever requested to do so in writing by twenty-five per cent or more in number of the shareholders. Any such written request shall state clearly the nature of the business to be transacted at such meeting. If upon such request the Trustees do not within fourteen days proceed to call a Special Meeting of the Association, the shareholders making the request or any other shareholders of the required number may themselves call the said meeting.

(e) At any General or Special Meeting of the shareholders 10 per cent of the registered shareholders of the Association in good standing shall constitute a quorum.

(f) Notice of any Annual General or Special Meeting shall be given by mailing a notice of the time and place for holding said meeting and the business to be transacted to the last registered address of each shareholder.

(g) If within one hour from the time appointed for any meeting of the Association, a quorum be not present, the meeting if convened upon the request of the members shall be dissolved, in any other cause it shall stand adjourned until the said day in the next week at the same time and place, and if at such adjourned meeting a quorum be not present, it shall be adjourned sine die.

(h) Neither the accidental omission to send or the non-receipt of a notice of any Annual, General or Special Meeting by any member shall invalidate the proceedings of any such meeting.

(i) Any shareholder in the Association shall at any meeting at which he is entitled to vote, have only one vote irrespective of the amount of shares he may hold.

### **Board of Trustees**

5.—(a) The Board of Trustees shall consist of seven members elected from among the shareholders of the Association. The term of office shall ordinarily be two years, four Trustees being elected at the next but one Annual Meeting following the date of this by-law, and three at the following Annual Meeting, and so on, provided that the three Trustees named last at the first Annual Meeting shall hold office for one year only.

(b) At the election of the said Board of Trustees retiring members may be re-elected.

(c) The Board of Trustees shall conduct and manage the business of the Association and may exercise all the powers of the Association as are not required to be exercised by the Association in General Meeting.

(d) They shall appoint a Chairman who shall also be the President of the Association, and a Secretary or Secretary-Treasurer and all other officers of the Association, and shall define their respective duties, and they may appoint an Executive Committee from among their number and shall, if appointed, define their duties.

(e) They may appoint a Manager who shall not be one of the Board of Trustees and shall define his duties.

(f) They shall fill any vacancy that may occur from any cause on the Board of Trustees, but such appointment shall be subject to the approval of the members at the next General Meeting.

(g) Any Trustee missing two consecutive meetings of the Board without a good reason shall be notified of the next meeting, and unless present his office shall be deemed vacant and another member appointed in his place.

(h) At a meeting of Trustees held prior to the Annual Meeting, the Trustees shall prepare a report covering all the activities of the Association for the preceding twelve months, such report to be presented to the shareholders.

(i) If any member of the Board of Trustees, officers, servants and employees of the Association shall take or possess any pecuniary interest, profit or promise or expected benefit in or from any contract, either in his own name or in the name of another, with the Association, he shall be disqualified from holding any office or position of trust in connection with the Association unless he has personally declared his interest at a meeting of the Board of Trustees.

(j) Trustees may be paid a mileage of ten cents per travelled mile when attending any Board or Committee Meeting of the Association; also a fee not exceeding three dollars per meeting.

### **Application of Profits**

6. The Trustees shall apportion the profits arising from the business of the Association after making all necessary provision for depreciation, in the following manner:

(a) By setting up a reserve fund of not less than twenty per cent of the net profits until an amount has accumulated in such fund equal to at least 50 per cent of the paid up capital.

(b) By paying interest on the paid up Capital Stock at a rate not exceeding eight per cent (8%) per annum.

(c) The remainder of the surplus shall be divided among the patrons of the Association in proportion to the volume of business which they have done with the Association:

Provided, however, that the dividend due to any patron who is not a shareholder, shall be retained by the Association and credited to the account of such patron on account of capital stock until an amount has accumulated equal to the par value of one dollar; when such sum has accumulated a stock certificate for one dollar shall be issued to the patron.

Provided, further that the dividends due to a shareholder shall be placed to his credit on share capital account until the unpaid balance of all shares held by him is fully paid up.

Provided, further that no patronage dividend shall be paid in cash until shares of the par value of at least \$50 have been subscribed and paid for in full.

### **By-laws**

7.—(a) All rules or by-laws of the Association may be repealed, altered or amended by other rules or by-laws passed at any General Meeting of the Association specially called for that purpose, or at any Annual Meeting providing at least thirty days' notice of such intention to repeal, alter or amend the said by-laws has been given, provided that no new rule or by-law or amended rule

or by-law shall have any force or effect until a copy thereof proved by affidavit of the Chairman or Secretary or Secretary of the Board of Trustees to be a true copy of the rule or by-law or rules or by-laws passed by the Association as hereinbefore provided has been approved by the Supervisor of Co-operative Activities and filed by the Registrar of Companies.

### **Election**

8.—(a) Any shareholder in good standing shall be eligible to be elected Trustee of the Association, but no shareholder or person holding office in the Association shall be eligible to be elected Auditor.

(b) Candidates for the position of Trustees shall be nominated openly and at a General Meeting, and shall be elected by ballot.

### **Audit**

9.—(a) At the first General Meeting of the Association and subsequently at each Annual Meeting, an Auditor shall be nominated by the members, whose name shall be submitted to the Minister in charge of the administration of the Co-operative Supervision Act for his approval. In the event of the Minister not approving the nominee for any reason, and in the further event of the Association failing to nominate another who is approved by the Minister, then the Minister may appoint an Auditor who shall thereupon be the Association's Auditor for the ensuing year.

(b) At the close of every calendar year and prior to the holding of the Annual Meeting of the Association, the books of the Association shall be closed, and the Auditor shall have access to all the books and the accounts of the Association and shall examine the General Statement of Receipts and Expenditures Funds and Effects of the Association and verify the same with the accounts and vouchers relating thereto, and shall either sign the same as found by him to be correct duly vouched and in accordance with the law or specially report to the Association in what respect he found any entry or account to be incorrect, unvouched or not in accordance with the law.

(c) The report of the Auditor shall be presented at the Annual Meeting of the Association and a duly certified copy shall be forwarded to the Supervisor of Co-opera-

tive Activities, as well as any special form of return which may be required under the Act.

### **Withdrawal of Members**

10.—(a) Any member wishing to withdraw from the Association shall apply to and offer his shares to the Board of Trustees and the said Board shall decide to buy or not to buy his shares.

(b) If the Board does not deem it advisable to buy the shares, it may either consent to the sale or transfer of the shares to some other person approved by the Board, or it may file the application and transfer the said share or shares to subsequent applicants, and in the meantime no new shares shall be issued.

(c) Any member withdrawing is entitled to the nominal amount only of his share or shares, exclusive of any right in any reserve fund.

### **Lien on Shares**

11.—(a) The Association shall have a first and paramount lien and charge available at law and in equity upon every share of every member for all debts due from him either alone or jointly with any other person whether a shareholder or not in the Association. This lien shall extend to all dividends payable on all shares.

(b) The Association shall sell in such manner as the Trustees think fit any shares on which the Association has a lien, but no sales shall be made unless some sum in respect of which lien exists is presently payable or until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable has been given the registered holder for the time being of his share or the person entitled by reason of his death or bankruptcy to the share.

(c) The proceeds of the sale shall be applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and in the residue shall, subject to a like lien for sums not presently payable as existed upon the shares prior to the sale, be paid to the person entitled to the shares at the date of the sale. The purchaser shall be registered as the holder of the shares and he shall not be bound to see to the application of the purchase money nor shall his title to the



shares be affected by any irregularity of invalidity in the proceedings with reference to the sale.

### **Forfeiture of Shares**

12.—(a) If a member fails to pay any instalment of the purchase price of the shares on or before the day appointed for the payment of the same the Trustees may at any time thereafter during such time as any part of such instalment remains unpaid serve notice on such member requiring him to pay so much of the instalment as is unpaid, together with any interest as may have accrued, and all expenses that may have been incurred by the Association by reason of such non-payment.

(b) The notice shall name a day not less than thirty days from the date of the notice, and the place or places on or before and at which the payments required by the notice is to be paid. The notice shall also state that in the event of non-payment at or before the time, and at the place or places stated, shares in respect of which instalment is payable will be liable to be forfeited.

(c) If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given at any time thereafter before the payment required by the notice has been made, may be forfeited by a resolution of the Trustees to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before the forfeiture.

(d) When any shares shall have been so forfeited notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register.

(e) Any share so forfeited shall be deemed to be the property of the Association, and the Trustees may sell or re-allot or otherwise dispose of the same in such manner as they think fit, but at any time before such disposition the forfeiture may be cancelled on such terms as the Trustees think fit to prescribe.

(f) A statutory declaration in writing that the declarant is a Trustee of the Association, and that a share in the Association has been fully forfeited on the date stated in the declaration, shall be conclusive evidence of the facts therein stated against all persons claiming to be

entitled to the share, and such declaration and the receipt of the Association for the consideration, if any, given for the share on the sale or disposition thereof, shall constitute a good title to such share, and the person to whom the share is sold or disposed of shall be registered as the holder of the share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings with reference to the forfeiture sale or disposal of the share.

### **Transfer and Transmission of Shares**

13.—(a) Where any transfer of shares has been approved by the Trustees the instrument of transfer shall be executed both by the transferrer and the transferee, be executed both by the transferrer and the transferee, and the transferrer shall be deemed to remain the holder and the transferror shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members in respect thereof.

(b) Save as hereinafter provided the executors or administrators of a deceased member shall be the only persons recognized by the Association as having any title to a share.

(c) Any member of the Association not being under the age of sixteen years, may by writing signed by him delivered at or sent to the Head Office of the Association nominate any person, not being an officer or servant of the Association, unless such officer or servant is the husband, wife, father, mother, child, brother, sister, nephew or niece of the nominator to whom his shares in the Association shall be transferred at his decease, and may from time to time revoke or vary such nomination by writing signed by him similarly delivered or sent by not otherwise, and the shares comprised in any such nomination shall be transferable to the nominee, and on receiving satisfactory proof of the death of a nominator the Trustee shall either transfer the shares in the manner directed on such nomination or at their option pay to every person entitled thereunder the full value of his interest.

### **Duties of Board of Trustees**

14.—(a) The Board of Trustees shall meet whenever called by the Chairman or by his authority.

(b) At any meeting of the Board of Trustees five

members shall constitute a quorum.

(c) The Chairman may vote upon any question but in the event of so doing shall not have a casting vote in the event of a tie. If there is no majority in favor of the motion it shall be deemed lost.

#### **Duties of a Chairman**

15.—(a) It shall be the duty of the Chairman to preside at all meetings of the Association and the Board of Trustees. He shall be an ex-officio member of all committees appointed. He shall submit to the Annual Meeting of the Association the Trustees' Report of the affairs of the Association.

(b) In case of the absence of a Chairman or his inability to act for any cause, the Vice-Chairman shall discharge all the duties of Chairman, or if no Vice-Chairman has been elected, then the Board of Trustees shall nominate one of their number to discharge the duties of Chairman.

#### **Duties of the Secretary**

16.—(a) It shall be the duty of the Secretary to attend all meetings of the Association and the Board of Trustees and to keep correct minutes of the same. He shall have charge of the correspondence of the Association and all records and books of the Association.

#### **Duties of the Treasurer**

17.—(a) The Treasurer shall receive and deposit in whatever chartered bank the Trustees may order, all moneys paid to the Association, and shall give its receipt therefor. He shall be responsible for the keeping of a proper set of books, showing accurately the dealings of the Association, and shall present a full and detailed account of the receipts and disbursements to the Board whenever requested by them, and shall prepare for submission to the Annual Meeting of the Association a complete statement of its financial position, and shall cause same, when audited, to be printed and distributed to all shareholders of the Association.

(b) The office of Secretary and Treasurer may be held by one person and called the Secretary-Treasurer.

(c) The duty of the Secretary and Treasurer shall be modified according to the duties delegated to the Manager by the Board of Trustees.

### **Seal of the Association**

18. The Seal of the Association shall not be affixed to any instrument except by authority of resolution of the Board of Trustees and by the Chairman and Secretary or Secretary-Treasurer or such other person as the Trustees may appoint for the purpose, and the Chairman and Secretary or other person as aforesaid shall sign every instrument to which the Seal of the Association is so affixed in their presence.

### **Notice**

19.—(a) Any notice or other document required to be served on any member shall be deemed sufficiently served by personal service or by leaving the same at or sending it prepaid by post to the registered address of such member or to the address, if any, supplied by him to the Association in his original application for shares. Where a notice is sent by post, service of notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice and shall be deemed to have been served at the expiration of forty-eight hours from the time it is posted.

(b) A notice may be given to persons entitled to a share in consequence of the death or bankruptcy of a member by sending it through the post in a prepaid letter addressed to them by name at the address, if any, supplied for the purpose by the person claiming to be entitled to the share or until such address has been supplied by giving notice in any manner in which the same may have been given if the death or bankruptcy had not occurred.

### **Order of Business**

20. The order of business for General Meetings of the Association shall be as follows:

1. The meeting to be called to order by the President or Acting President.
2. The reading and disposal of the Minutes of the preceding meeting.
3. Business arising out of the Minutes.
4. Reports of Officers and Board of Trustees.
5. Reports of standing committees appointed at a previous meeting.

6. Reports of special committees appointed at a previous meeting.

7. Reports of Auditor.

8. Unfinished business.

9. Nomination and election of officers.

10. Nomination of Auditor.

11. New business.

12. Adjournment.

Names of Subscribers	Address	Occupation
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Witness as to signature of.....

Witness as to signature of.....

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DATED at the.....of....., in  
the Province of Alberta, this.....day of  
.....A.D. 19.....

### AFFIDAVIT OF EXECUTION

Canada  
Province of Alberta  
To Wit:

I,

make oath and say:

1. That I was personally present and did see  
duly sign, seal and execute the Articles of Association of  
the..... Co-operative Association,  
Limited.

2. That the said Articles of Association was executed  
at the....., in the Pro-  
vince of Alberta, and that I am the subscribing witness  
thereto.

3. That I know the said  
and they are of the full age of twenty-one years.

SWORN before me at the.....  
.....in the Province of  
Alberta, this.....day of  
..... A.D. 19.....

A Commissioner for Oaths in and for  
the Province of Alberta.

(This Affidavit must be sworn before a Commissioner of  
Oaths by the Witness, or Witnesses if more than one).

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